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China Singyes New Materials Holdings Limited
中國興業新材料控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8073)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of China Singyes New Materials Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 with the comparative figures for the corresponding year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**129,292**	115,823
Gross profit	**59,203**	45,177
Profit before tax	**22,705**	17,719
Profit for the year	**19,828**	14,026
Gross profit margin	**45.8%**	39.0%
Net profit margin	**15.3%**	12.1%
Earnings per share attributable to ordinary equity holders		
— Basic and diluted	**RMB0.041**	RMB0.034

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	3	**129,292**	115,823
Cost of sales		**(70,089)**	(70,646)
Gross profit		**59,203**	45,177
Other income and gains	4	**2,326**	3,596
Selling and distribution expenses		**(9,695)**	(9,618)
Administrative expenses		**(20,740)**	(19,885)
Impairment loss on trade receivables		**(5,242)**	–
Other expenses		**(3,147)**	(1,551)
PROFIT BEFORE TAX	5	**22,705**	17,719
Income tax expense	6	**(2,877)**	(3,693)
PROFIT FOR THE YEAR		**19,828**	14,026
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of financial statements		**3,274**	(2,323)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,102**	11,703
Profit attributable to:			
Owners of the Company		**19,788**	14,026
Non-controlling interests		**40**	–
		19,828	14,026
Total comprehensive income attributable to:			
Owners of the Company		**23,062**	11,703
Non-controlling interests		**40**	–
		23,102	11,703
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	**RMB0.041**	RMB0.034

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**49,746**	39,504
Deferred tax assets	*13*	**1,557**	877
Goodwill	*17*	**6,448**	—
Total non-current assets		**57,751**	40,381
CURRENT ASSETS			
Inventories		**15,377**	13,112
Trade and bills receivables	*9*	**142,970**	91,819
Prepayments, deposits and other receivables	*10*	**10,818**	7,119
Pledged bank balances		**20**	1,954
Cash and cash equivalents		**68,279**	85,538
Total current assets		**237,464**	199,542
CURRENT LIABILITIES			
Trade and bills payables	*11*	**19,192**	25,431
Other payables and accruals	*12*	**36,155**	24,556
Tax payable		**2,715**	2,640
Provision for product warrants		**591**	1,312
Total current liabilities		**58,653**	53,939
NET CURRENT ASSETS		**178,811**	145,603
TOTAL ASSETS LESS CURRENT LIABILITIES		**236,562**	185,984
NON-CURRENT LIABILITIES			
Deferred tax liability	*13*	**820**	–
Deferred income	*14*	**1,599**	721
		2,419	721
Net assets		**234,143**	185,263
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**35,415**	32,655
Reserves		**193,553**	152,608
		228,968	185,263
Non-controlling interests		**5,175**	–
Total equity		**234,143**	185,263

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

China Singyes New Materials Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Unit 3108, 31st Floor, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the sale and installation of Indium Tin Oxide ("ITO") film, and the research and development, production, sale and installation of Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System in mainland of the People's Republic of China (the "PRC").

In the opinion of the directors of the Company (the "Directors"), the parent company, the intermediate holding company and the ultimate holding company of the Company are Top Access Management Limited ("Top Access"), China Singyes Solar Technologies Holdings Limited ("Singyes Solar") and Strong Eagle Holdings Limited ("Strong Eagle"), respectively. Both Top Access and Strong Eagle were incorporated in the British Virgin Islands. Singyes Solar was incorporated in Bermuda. The shares of Singyes Solar are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9, IFRS 15 and the amendments to IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Further information about IFRS 9 and IFRS 15 applied by the Group is described below:

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	Note	IAS 39 measurement Category	IAS 39 measurement Amount	Re-classification	ECL	IFRS 9 measurement Amount	IFRS 9 measurement Category
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets							
Trade receivables	*(i)*	L&R[1]	91,819	–	(436)	91,383	AC[2]
Financial assets included in prepayments, deposits and other receivables		L&R	4,015	–	–	4,015	AC
Pledged deposits		L&R	1,954	–	–	1,954	AC
Cash and cash equivalents		L&R	85,538	–	–	85,538	AC
			183,326	–	(436)	182,890	
Other assets							
Deferred tax assets			877	–	65	942	
Total assets			239,923	–	(371)	239,552	

1 L&R: Loans and receivables

2 AC: Financial assets at amortised cost

Note:

(i) The Group has remeasured the carrying amount of the trade receivables based on the ECL allowance.

The Group has not designated any financial assets or financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement of the Group's financial liabilities.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 14 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,814	436	4,250

Impact on retained profits

The impact of transition to IFRS 9 on retained profits is as follows:

	RMB'000
Balance as at 31 December 2017 under IAS 39	**22,284**
Recognition of expected credit losses for trade receivables under IFRS 9	**(436)**
Deferred tax in relation to the above	**65**
Balance as at 1 January 2018 under IFRS 9	**21,913**

(b) IFRS 15 and its amendments replace IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

The Group provides installation services for the sale of Smart Light-adjusting Projection System. Before the adoption of IFRS 15, installation services were bundled together with the sale of Smart Light-adjusting Projection System and the revenue from the sale of Smart Light-adjusting Projection System was recognised after the installation has been completed. Under IFRS 15, the Group has assessed that there were two performance obligations in contracts for the bundled sale of Smart Light-adjusting Projection System and installation services and performed an allocation of the transaction price based on their standalone selling prices. The revenue from installation services is recognised over time while the sale of Smart Light-adjusting Projection System is recognised at the point in time when control of the asset is transferred to the customers. As all installation services contracts have been completed before 1 January 2018, there was no financial impact of the transition to IFRS 15 on the Group's retained profits at 1 January 2018.

Upon adoption of IFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of IFRS 15, "Contract liabilities" were increased by RMB2,120,000 and "Advances from customers" included in "Other payables and accruals (current)" were decreased by RMB2,120,000, respectively, at the date of initial application of IFRS 15 (1 January 2018).

3. OPERATING SEGMENT INFORMATION AND REVENUE

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**129,292**	–
Sale of goods	**–**	115,823
	129,292	115,823

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Type of goods or services	
Sales of ITO Film	**18,923**
Sales of Smart Light-adjusting Film	**47,700**
Sales of Smart Light-adjusting Glass	**17,010**
Sales of Smart Light-adjusting Projection System	**26,405**
Rendering of consulting services	**3,303**
Installation services	**2,319**
Other products	**13,632**
Total revenue from contracts with customers	**129,292**
Geographical markets	
Domestic – Mainland China*	**122,669**
Others	**6,623**
Total revenue from contracts with customers	**129,292**

* The place of domicile of the Group's principal operating subsidiary is Mainland China. The principal revenue of the Group is generated in Mainland China.

Timing of revenue recognition	
Goods transferred at a point in time	**123,670**
Services transferred over time	**5,622**
Total revenue from contracts with customers	**129,292**

The amount of revenue from the sale of goods recognised in the current year that were included in the contract liabilities at the beginning of the year and recognised from performance obligations satisfied in previous year amounted to RMB1,530,000 (note 12).

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one to six months from delivery, except for small and new customers, where payment is normally expected to be settled shortly after the delivery of goods.

Installation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

Consulting services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of consulting services.

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Operating segment information

The Group's revenue and contribution to consolidated results are mainly derived from its sale and installation of ITO Film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

Other than those disclosed above in accordance with IFRS 15, the following table sets forth the total revenue from external customers by product and the percentage of total revenue by product for the year ended 31 December 2017:

	2017	
	RMB'000	*%*
ITO film	15,377	13.3
Smart Light-adjusting Film	30,709	26.5
Smart Light-adjusting Glass	34,256	29.6
Smart Light-adjusting Projection System	28,451	24.6
Other products	7,030	6.0
	115,823	100.0

Geographical information

(a) *Revenue from external customers*

	2017	
	RMB'000	*%*
Domestic — Mainland China*	112,794	97.4
Others	3,029	2.6
	115,823	100.0

* The place of domicile of the Group's principal operating subsidiary is Mainland China. The principal revenue of the Group is generated in Mainland China.

(b) *Non-current assets*

	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China	**54,471**	**96.9**	39,504	100.0
Hong Kong	**1,723**	**3.1**	–	–
	56,194	**100.0**	39,504	100.0

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from a major customer which amounted to 10% or more of the total revenue, is set out below:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**N/A**	11,970

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Deferred income released to profit or loss *(note 14)*	**91**	91
Bank interest income	**89**	85
Government grants*	**2,016**	2,000
Foreign exchange gains	**–**	1,341
Gain on disposal of property, plant and equipment	**41**	–
Sales of scrap materials	**89**	79
	2,326	3,596

* There were no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**68,238**	70,646
Cost of installation service	**1,851**	–
	70,089	70,646
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries and relevant benefits	**13,213**	12,462
Pension scheme contributions	**729**	535
Equity-settled share option expense	**1,192**	–
	15,134	12,997
Depreciation	**6,095**	5,571
Research costs	**5,517**	3,571
Equity-settled share option expense	**1,192**	–
Minimum lease payments under operating leases	**1,180**	1,205
Auditor's remuneration	**1,500**	1,680
Listing fees expensed off	**–**	5,523
Impairment loss on trade receivables, net		
– under IFRS 9	**5,242**	–
– under IAS 39	**–**	1,513
(Gain)/loss on disposal of property, plant and equipment	**(41)**	86
Exchange losses/(gains), net	**3,072**	(1,341)

6. INCOME TAX

The major components of income tax expense for the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**3,872**	3,924
Overprovision in prior year	**(380)**	–
Deferred *(note 13)*	**(615)**	(231)
Total tax charge for the year	**2,877**	3,693

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for the jurisdictions in which companies within the Group are domiciled to the tax expense at the effective tax rate is as follows:

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Profit before tax		**22,705**	17,719
Add: non-deductible expenses incurred by the Company*	*(a)*	**2,382**	5,765
Profit before tax generated by Hong Kong and PRC subsidiaries		**25,087**	23,484
At the applicable tax rates			
— 10%	*(b)*	**53**	–
— 15%	*(c)*	**3,757**	3,559
— 16.5%	*(d)*	**(28)**	(40)
Tax losses utilised from previous year		**(35)**	–
Overprovision of current tax in prior year		**(380)**	–
Tax effect of additional tax deduction for research costs incurred		**(621)**	–
Expenses not deductible for tax		**103**	82
Tax losses not recognised		**28**	92
Tax charge at the Group's effective tax rate		**2,877**	3,693

Notes:

(a) Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda. Losses incurred by the Company during the year mainly consist of share option expenses and remuneration of directors. These expenses are not expected to be tax deductible.

(a) During the year, Yan'an Singyes New Materials Company Limited was entitled to a preferential PRC CIT rate of 10% as it was accredited as a small and micro business.

(c) During the year, Zhuhai Singyes New Materials Company Limited ("Zhuhai New Materials") was entitled to a preferential PRC CIT rate of 15% as it was accredited as "High and New Technology Enterprise" ("HNTE") from 10 October 2015 to 10 October 2018. According to Guokefahuo [2016] No. 195, where the validity of an enterprise's HNTE status ends in a fiscal year, the enterprise may still apply the reduced CIT rate of 15% to provisional CIT filings before reapplying for the HNTE status. Therefore, it was subject to CIT at a rate of 15% for the year.

(d) The applicable CIT rate for Hong Kong incorporated subsidiaries was 16.5% during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profit derived from or earned in Hong Kong during the year.

Except for subsidiaries identified in notes (b) and (c) above, the other subsidiary domiciled in the PRC was subject to the PRC rate of 25% during the year.

7. DIVIDEND

At a meeting of the Directors held on 20 March 2019, the Directors recommended a final dividend of HK1.2 cents per share for the year ended 31 December 2018 (2017 final dividend: RMB3,118,000), subject to shareholders' approval at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company for the year of RMB19,788,000 (2017: RMB14,026,000), and the weighted average number of ordinary shares of 480,767,000 (2017: weighted average number of ordinary shares of 413,917,808) in issue during the year.

No adjustment has been to the basic earnings per share amount for the year in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares during the year. No adjustment has been made to the basic earnings per share amount presented for the year 2017 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the year.

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**149,245**	95,633
Less: Impairment	**(8,292)**	(3,814)
	140,953	91,819
Bills receivable	**2,017**	—
	142,970	91,819

The Group's trading terms with its customers are mainly on credit. The credit periods generally range from one to six months for major customers. Trade receivables from small and new customers are normally expected to be settled shortly after the delivery of goods. No credit period is set by the Group for small and new customers.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**51,283**	42,778
3 to 6 months	**18,953**	28,098
6 to 12 months	**30,652**	10,806
1 to 2 years	**35,274**	10,137
2 to 3 years	**6,808**	–
	142,970	91,819

At 31 December 2018, retentions held by customers for contract works included in trade receivables amounted to approximately RMB2,916,000 (2017: RMB2,227,000).

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**3,814**	2,301
Effect of adoption of IFRS 9	**436**	–
At beginning of year (restated)	**4,250**	2,301
Impairment loss, net *(note 5)*	**5,242**	1,513
Amount written off as uncollectible	**(1,200)**	–
	8,292	3,814

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and profile). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due		
	Current	**Less than 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.53%	2.01%	8.94%	5.56%
Gross carrying amount *(RMB'000)*	40,690	23,547	85,008	149,245
Expected credit losses *(RMB'000)*	217	474	7,601	8,292

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB3,814,000 with a carrying amount before provision of RMB5,580,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in default in principal payment and only a portion of the receivables was expected to be recovered. The Group did not hold any collateral or other credit enhancements over these balances.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired and were considered partially impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	37,470
Past due but not impaired:	
Less than 6 months past due	40,653
6 to 12 months past due	4,789
Over 12 months past due	8,907
	91,819

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances was still considered fully recoverable.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Prepayments to suppliers	**6,089**	3,104
Deposits	**327**	55
Due from related parties	**2,465**	2,478
Other receivables	**1,937**	1,482
	10,818	7,119

11. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the purchase recognition date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**13,371**	19,047
6 to 12 months	**463**	3,219
1 to 2 years	**2,233**	2,904
2 to 3 years	**336**	91
Over 3 years	**2,789**	170
	19,192	25,431

The trade and bills payables are non-interest-bearing and are normally settled on three-month terms.

As at 31 December 2017, the Group's bills payable totalling RMB1,726,000 were secured by the pledged deposits amounting to RMB1,934,000. There were no bills payables as at 31 December 2018.

12. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Advances from customers	**–**	2,120
Contract liabilities*	**2,813**	–
Accrued expenses	**2,276**	1,250
Payroll and welfare payable	**4,235**	1,781
Tax and surcharge payables	**20,573**	15,376
Payables related to property, plant and equipment	**4,007**	2,052
Due to related parties	**822**	1,432
Dividend payable	**100**	–
Other payables	**1,329**	545
	36,155	24,556

* Contract liabilities consisted of short-term advances received from customers in relation to delivery products. Changes in contract liabilities during the year are as follows:

	RMB'000
At 1 January 2018	**2,120**
Revenue recognised that was included in the contract liabilities at the beginning of the year *(note 3)*	**(1,530)**
Acquisition of subsidiaries *(note 17)*	**1,443**
Net increase due to cash received, excluding amounts recognised as revenue during the year	**780**
At 31 December 2018	**2,813**

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position.

13. DEFERRED TAX

The movements of deferred tax assets during the year are as follows:

Deferred tax assets

	Impairment on trade receivables *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	346	300	646
Deferred tax credited to profit or loss during the year *(note 6)*	227	4	231
At 31 December 2017	573	304	877
At 1 January 2018	573	304	877
Effect of adoption of IFRS 9	65	–	65
At 1 January 2018 (restated)	638	304	942
Deferred tax credited to profit or loss during the year *(note 6)*	606	9	615
At 31 December 2018	**1,244**	**313**	**1,557**

The Group has tax losses arising in Hong Kong of RMB619,000 (2017: RMB449,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax liability

	Accelerated depreciation for tax purpose ***RMB'000***
At 1 January 2017, 31 December 2017 and 1 January 2018	**–**
Acquisition of subsidiaries *(note 17)*	**820**
At 31 December 2018	**820**

Under the CIT Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China effective from 1 January 2008. Under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate for dividends paid by a Mainland resident enterprise to a Hong Kong resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the Mainland enterprise.

Deferred taxation has not been provided for in the consolidated statement of financial position in respect of temporary differences attributable to the profits of the PRC subsidiaries during the year, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB57,348,000 as at 31 December 2018 (2017: RMB35,557,000).

14. DEFERRED INCOME

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**721**	812
Government grants received during the year	**969**	–
Released to profit or loss *(note 4)*	**(91)**	(91)
	1,599	721

Deferred income received by the Group represented government grants in respect of the purchase of equipment and is released to profit or loss by annual instalments to match with the expected useful lives of the relevant assets.

15. SHARE CAPITAL

Shares

	2018	2017
	US$'000	*US$'000*
Authorised:		
10,000,000,000 (31 December 2017: 10,000,000,000) ordinary shares of US$0.01 each	**100,000**	100,000
Issued and fully paid:		
520,000,000 (31 December 2017: 480,000,000) ordinary shares of US$0.01 each	**5,200**	4,800
Equivalent to approximately RMB'000	**35,415**	32,655

During the year, the movements in issued capital were as follows:

	Number of shares in issue	Issued capital
		RMB'000
At 1 January 2017	11,100	1
Capitalisation issue	359,988,900	24,565
Initial public offering	120,000,000	8,089
At 31 December 2017 and 1 January 2018	480,000,000	32,655
Issue of new shares *(note)*	40,000,000	2,760
At 31 December 2018	520,000,000	35,415

Note:

During the year, the Company allotted and issued an aggregate of 40,000,000 new shares for the acquisition of 100% equity interest in Huabei Limited ("Huabei") (note 17). The aggregate fair value of the 40,000,000 ordinary shares, determined by reference to the closing quoted market price of the Company's on the GEM of the Stock Exchange at the acquisition date, amounted to RMB21,848,000, of which RMB2,760,000 and RMB19,088,000 were credited to the issued share capital and share premium account of the Company, respectively.

16. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible persons for their contribution or potential contribution to the growth and development of the Group ("Eligible Persons"). Eligible Persons of the Scheme include:

(i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or

(b) any individual for the time being seconded to work for, any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder;

(ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and

(iii) for the purposes of the Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

The Scheme was approved by the Company's shareholders on 17 October 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company as at the date on which the Scheme is adopted unless the Company obtains a fresh approval from shareholders to refresh the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Scheme together with any share options outstanding and yet to be exercised under the Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued upon the exercise of the share options granted under the Scheme and any other share option schemes of the Company to any Eligible Persons (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue, unless (i) a circular is despatched to the shareholders; (ii) the shareholders approve the grant of the share options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant Eligible Persons and his associates shall abstain from voting. The number and terms (including the exercise price) of share options to be granted to such Eligible Persons must be fixed before shareholders' approval.

Any grant of a share option to a director, chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the share options).

Where any grant of share options to a substantial shareholder or an independent non-executive director (or any of their respective associates) will result in the total number of shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at each date of grant, in excess of HK$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director or any of their respective associates is also required to be approved by shareholders.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

The following share options were outstanding under the Scheme during the year:

	Exercise price *HK$ per share*	**Number of options** *'000*
At 1 January 2018	–	–
Granted during the year*	1.16	21,000
At 31 December 2018	1.16	21,000

* On 31 January 2018, options to subscribe for a total of 21,000,000 shares with a nominal amount of US$0.01 each in the share capital of the Company were granted under the Scheme at the exercise price of HK$1.16 per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2018 *'000*	**Exercise price** *HK$ per share*	**Exercise period**
7,000	1.16	31 January 2021 to 30 January 2028
7,000	1.16	31 January 2022 to 30 January 2028
7,000	1.16	31 January 2023 to 30 January 2028
21,000		

The fair value of the share options granted during the year was HK$12,382,055 (equivalent to approximately RMB10,028,597) or HK$0.5896 each (equivalent to approximately RMB0.4776 each), of which a share option expense of HK$2,823,000 (equivalent to approximately RMB2,384,000) was recognised during the year.

The fair value of equity-settled share options granted during the year as at the date of grant was estimated using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Expected volatility *(%)*	50.58
Risk-free interest rate *(%)*	2.50
Weighted average share price *(HK$ per share)*	1.16

At the end of the reporting period, the Company had 21,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 21,000,000 additional ordinary shares of the Company and additional share capital of HK$1,645,000 (before issue expenses).

As at the date of approval of these financial statements, the Company had 21,000,000 share options outstanding under the Scheme, which represented approximately 4.038% of the Company's shares in issue as at that date.

17. BUSINESS COMBINATION

On 24 December 2018, the Company completed the acquisition of a 100% equity interest in Huabei. Huabei has a 75% equity interests in Shenzhen Kangsheng Photoelectric Technology Company Limited ("Shenzhen Kangsheng"). Both Huabei and Shenzhen Kangsheng are collectively referred to as "Huabei Group". Upon completion, the Group directly owned 75% effective equity interests in Shenzhen Kangsheng, which is engaged in the manufacture and sale of ITO film products. The purchase consideration was satisfied by allotment and issue of 40,000,000 ordinary shares of the Company at the market price of HK$0.62 per share (equivalent to approximately RMB21,848,000, in aggregate). The acquisition has been accounted for using the acquisition method.

The Group has acquired Huabei to further expand its market share of ITO film products in Southern China. Particulars of the acquisition of the 100% equity interests in Huabei were set out in the Company's announcements dated 12 September 2018 and 19 October 2018, respectively

The Group has elected to measure the non-controlling interest in Huabei at the non-controlling interest's proportionate share of Huabei's identifiable net assets.

The following table summarizes the consideration paid for the acquisition, the fair value of the identifiable assets acquired, liabilities assumed at the acquisition date:

	Note	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment		**11,966**
Inventories		**4,820**
Trade and bills receivables		**22,230**
Prepayments, deposits and other receivables		**4,238**
Cash and cash equivalents		**2,361**
Trade payables		**(11,567)**
Contract liabilities	*12*	**(1,443)**
Other payables and accruals		**(11,003)**
Tax payable		**(247)**
Deferred tax liability	*13*	**(820)**
Total identifiable net assets at fair value		**20,535**
Non-controlling interests		**(5,135)**
Goodwill on acquisition		**6,448**
Satisfied by		
Issue of ordinary shares		**21,848**

An analysis of the cash flow in respect of the acquisition of above subsidiaries is as follows:

	RMB'000
Cash and cash equivalents acquired	**2,361**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**2,361**

As the acquisition taken place on 24 December 2018, the contributions from Huabei Group to the Group's revenue and the consolidated profit for the year ended 31 December 2018 were minimal.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB187,565,000 and RMB23,682,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group carries out research and development on, and manufactures and sells ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System. The Group uses ITO film as one of the main materials for the development of downstream products, namely: (i) polymer dispersed liquid crystal film (i.e. Smart Light-adjusting Film); (ii) electronically switchable glass (i.e. Smart Light-adjusting Glass); and (iii) Smart Light-adjusting Projection System. The Group is one of the few integrated manufacturers in the PRC which produces and sells ITO film as well as a range of related downstream products.

ITO film can be applied for use in a variety of products including smart phones, GPS systems and other touch-screen devices and equipment such as automated teller machines. Our ITO film customers are primarily domestic touch-screen device manufacturers. Revenue from sales of ITO film was RMB18,923,000 for the year ended 31 December 2018, which represented an increase of RMB3,546,000 or 23.1%, from RMB15,377,000 for the same period in 2017 as a result of the growth on sales volume.

Smart Light-adjusting Film is made from the integration of ITO film (which we manufacture in-house) and polymer dispersed liquid crystals. Smart Light-adjusting Film can be switched from a milky, cloudy, translucent and opaque state into a colourless and transparent state when electricity is applied to it, and may be applied to windows and glass to control the passing-through of light. Our Smart Light-adjusting Film customers are primarily construction companies and contractors of developers. Revenue from sales of Smart Light-adjusting Film was RMB47,700,000 for the year ended 31 December 2018, which represented a significant increase of RMB16,991,000 or 55.3%, from RMB30,709,000 for the same period in 2017. The growth was mainly attributable to the increased sales volume of Smart Light-adjusting Film because of the strong demand in domestic market and the shift in Company's sales focus from Smart Light-adjusting Glass to Smart Light-adjusting Film as the gross profit margin of the latter one was generally higher.

Smart Light-adjusting Glass is manufactured by placing a layer of Smart Light-adjusting Film between two layers of glass. Smart Light-adjusting Glass permits a user to control the permeability of light through the glass by adjusting the voltage of electricity voltage applied to the Smart Light-adjusting Film fixed therein. Our Smart Light-adjusting Glass customers are primarily construction companies and contractors of developers. Revenue from sales of Smart Light-adjusting Glass was RMB17,010,000 for the year ended 31 December 2018, which represented a decrease of RMB17,246,000 or 50.3%, from RMB34,256,000 for the same period in 2017. While we have shifted our sales focus from Smart Light-adjusting Glass to Smart Light-adjusting Film because of its higher gross profit margin; we changed our strategy in the Smart Light-adjusting Glass market to opt for sales orders with higher margin. Hence, the gross profit margin of Smart Light-adjusting Glass greatly improved for the year ended 31 December 2018.

Smart Light-adjusting Projection System makes use of project technology to project visual images onto projection screens. Such projection screens are manufactured using Smart Light-adjusting Products which is opaque when no power source is applied to it. Our Smart Light-adjusting Projection System customers are primarily construction companies and commercial users. Revenue from sales of Smart Light-adjusting Projection System was RMB26,405,000 for the year ended 31 December 2018, which represented a decrease of RMB2,046,000 or 7.2%, from RMB28,451,000 for the same period in 2017. The change was primarily arising from the adoption of new accounting standard. We provide installation services for the sale of Smart Light-adjusting Projection System. In previous years, revenue from installation services were bundled together with the sale of Smart Light-adjusting Projection System. However, for the year ended 31 December 2018, the revenue from installation services has been recorded separately. Hence, taking into account the revenue from installation services of RMB2,319,000, the revenue from sale of Smart Light-adjusting Projection System remained stable compared to the same period in 2017.

Other goods and services include rendering of consulting services, installation services and other products. The aggregated revenue from other goods and services was RMB19,254,000 for the year ended 31 December 2018, which represented a significant increase of RMB12,224,000 or 173.9%, from RMB7,030,000 for the same period in 2017.

Our Group strives to manufacture and supply high quality products to our customers, and our Directors believe that our Group is a reputable supplier of ITO film and related downstream products in the PRC. Our key operating subsidiary was ranked as the leading manufacturer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share by revenue in 2015. Leveraging on our current market position as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share, we experienced growth in business during the year ended 31 December 2018. The Group recorded a profit attributable to owners of the Company of RMB19,788,000 for the year ended 31 December 2018, as compared to a profit attributable to owners of the Company of RMB14,026,000 for the same period in 2017.

OUTLOOK AND PROSPECTS

Our Directors believe that, as a market participant which is active in the technology sector, it is crucial for the business of our Group to devote substantial resources towards research and development (including identifying new materials and applications) which will advance or sustain its competitiveness in light of evolving market trends and customer preferences and needs. Further, our Directors believe that our Group's current market leading positions in the PRC by market share relating to its Smart Light-adjusting Products and downstream application (namely, the Smart Light-adjusting Projection System) is testimonial of sufficient market demand for its products and it is an opportune time to capitalise and realise its potential in overseas markets. As such, our Group intends to extend its footprint to overseas markets as well as develop production lines which cater for expected demand for its products.

The Shares of the Company were successfully listed on GEM on 21 July 2017 (the "Listing"). Our Directors believe that the net proceeds from the Listing will provide us with additional capital to implement our future plans, which would be conducive to increasing our competitiveness in the market in which we operate which will assist us in securing more customers and in turn assist us in achieving our goal of increasing our market presence and geographical reach both in the PRC and abroad. In addition, our Directors expect the Listing assist us to gain access to the capital market for the future growth of our Group.

FINANCIAL REVIEW

Revenue

Our revenue was RMB129,292,000 for the year ended 31 December 2018, which represented an increase of RMB13,469,000, or 11.6% from RMB115,823,000 for the same period in 2017. The increase was primarily attributable to increase of RMB16,991,000 in revenue from the sales of Smart Light-adjusting Film.

Cost of sales and Gross Profit

Our cost of sales was RMB70,089,000 for the year ended 31 December 2018, which represented a slight decrease of RMB557,000, or 0.8%, from RMB70,646,000 for the same period in 2017. The decrease in cost of sales mainly reflected (i) the reduction in allocated indirect costs due to increased production capacity utilization; (ii) the decrease in unit cost of materials resulted from increased purchase volume; and (iii) the enhanced cost control capability because of the improved production technology.

Our gross profit increased by RMB14,026,000 or 31.0%, from RMB45,177,000 for the year ended 31 December 2017 to RMB59,203,000 for the year ended 31 December 2018. Our gross profit margin increased from 39.0% for the year ended 31 December 2017 to 45.8% for the year ended 31 December 2017. The increase was mainly attributed to the decrease in cost of sales as described above.

Selling and distribution expenses

Our selling and distribution expenses were RMB9,695,000 for the year ended 31 December 2018, which remained steady as compared to RMB9,618,000 for the same period in 2017. These mainly represented remuneration for sales and marketing employees based on sales performances and expenses relating to our marketing efforts in business promotion and participation in exhibitions. As a percentage of revenue, the selling and distribution expenses was 7.5% for the year ended 31 December 2018, which slightly decreased from 8.3% for same period in 2017.

Administrative expenses

Our administration expenses were RMB20,740,000 for the year ended 31 December 2018, which represented an increase of approximately RMB855,000, or 4.3%, from RMB19,885,000 for the same period in 2017. For the year ended 31 December 2018, the increases in remuneration for administrative employees (including Directors' fee), share option expense and research costs were partially offset by the decrease in Listing expense as compared to the same period in 2017. As a percentage of revenue, the administrative expenses decreased to 16.0% for the year ended 31 December 2018 from 17.2% for the same period in 2017.

Liquidity, Financial Resources and Capital Structure

Our primary use of cash is to satisfy our working capital and capital expenditure needs. Historically, our Group's use of cash has mainly been financed through a combination of cash received from the sales of our products and financial support from our Group's related parties.

As at 31 December 2018, our Group did not have any bank borrowings. Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities, bank borrowings and proceeds from the Listing. Our Directors believe that in the long term, our Group's operation will be funded by internally generated cash flows and, if necessary, additional equity and/or debt financing.

Use of Proceeds from the Listing

The Shares of the Company were listed on GEM on 21 July 2017 (the "Listing Date") with net proceeds received by the Company from the Share Offer in the amount of HK$93,500,000 after deducting underwriting commission and all related listing expenses.

An analysis of the utilization of the net proceeds from the Listing Date up to 31 December 2018 is set out below:

Business Strategy	Planned use of net proceeds as stated in the Prospectus up to 31 December 2018 *HK$ million*	Actual use of net proceeds up to 31 December 2018 *HK$ million*	Actual balances of proceeds up to 31 December 2018 *HK$ million*
Overseas business expansion	7.0	1.2	5.8
Research and development of new materials and products	11.1	7.3	3.8
Purchase of machinery and equipment for production of anti-ambient screen	6.8	4.1	2.7
Enhancement to wide ITO film	4.3	2.1	2.2
Working capital	5.3	5.3	—
Sales and marketing effects in the PRC	5.5	2.1	3.4
Project for full automation of production line for Smart Light-adjusting Products	12.0	—	12.0
Establishment and mass production of domestic laser none cinema systems	5.5	—	5.5
Installation of extra-wide Production line for Smart Light-adjusting Products	3.0	—	3.0
Installation of fully automated production line for pressing of glass	3.0	—	3.0

The business strategies as set out in the prospectus of the Company dated 30 June 2017 (the "Prospectus") were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 December 2018, approximately HK$22.1 million out of the net proceeds from the Share Offer had been used. The unused net proceeds have been deposited in licensed banks.

The Company intends to apply the net proceeds in the manner consistent with that set out in the Prospectus. However, the Directors will constantly evaluate the Group's business strategies and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Capital Expenditure

For the year ended 31 December 2018, our capital expenditure amounted to RMB4,553,000 (31 December 2017: RMB5,722,000) and mainly arose from expenditures for purchase of production machinery and test equipment.

Gearing Ratio

The gearing ratio is calculated as net debt (comprises trade and bills payables, other payables and accruals, and tax payable, less cash and cash equivalents and pledged deposits) at the end of the respective year divided by total equity. As at 31 December 2017 and 31 December 2018, the Group's total cash and cash equivalents and pledged bank balances exceeded the total trade and bills payables, other payables and accruals and tax payable. As such, no gearing ratio as at 31 December 2017 and 31 December 2018 was presented.

Capital Commitments

As at 31 December 2018, the Group had no capital commitments (31 December 2017: RMB55,000).

Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

Pledge of assets

As at 31 December 2018, the Group had pledged deposits amounting to RMB20,000 (31 December 2017: RMB1,954,000).

Significant Investments, Acquisitions and Disposals

Save as disclosed in note 17 to the consolidated financial statements headed "Business Combination" of this announcement, the Group did not make any material acquisition or disposal of subsidiaries and associated companies and significant investments during the year ended 31 December 2018.

Foreign Currency Exposure

The Group's principal businesses are located in the Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for those of the overseas subsidiary in Hong Kong and the Company whose functional currency is HK$. Foreign currency exposure mainly arises from intra-company balance denominated in HK$ as recorded by Zhuhai New Materials. At 31 December 2018, Zhuhai New Materials recorded an amount due to the Company of RMB63,846,000 (2017: RMB61,236,000) denominated in HK$. If

RMB strengthens/weakens against HK$ as a reasonable possible change of 5%, the profit before tax of the Group will increase/decrease by approximately RMB3,192,000 (2017: RMB3,062,000), correspondingly.

DIVIDEND

The Directors proposed a final dividend of HK1.2 cents per share (2017: HK0.8 cents). The actual dividend payout ratio in each year will depend on the actual performance of the Group, the general industry and economic environment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, we had a total headcount of 193 (2017: 147) full-time employees. The remuneration package of our employees includes a basic salary, allowances and bonuses. The various allowances cover holidays, social security and housing contributions. We make contributions to all mandatory social security and housing provident funds for our employees.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as the Directors are aware, the following persons have or are deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares

Name of shareholders	Capacity/ Nature of interests	Number of Shares held	Approximate percentage of shareholding *(Note 5)*
Top Access Management Limited	Beneficial owner	324,324,325	62.37%
China Singyes Solar Technologies Holdings Limited	Interest in a controlled corporation *(Note 1)*	324,324,325	62.37%
Strong Eagle Holdings Limited	Interest in a controlled corporation *(Note 2)*	324,324,325	62.37%
	Beneficial owner	4,432,735	0.85%
	Sub-total	328,757,060	63.22%
Mr. Liu Hongwei	Interest in a controlled corporation *(Note 3)*	328,757,060	63.22%
AMATA Limited	Beneficial owner	40,000,000	7.69%
Mr. Luo Jingxi	Interest in a controlled corporation *(Note 4)*	40,000,000	7.69%

Notes:

1. The entire issued share capital of Top Access Management Limited is legally and beneficially owned by China Singyes Solar Technologies Holdings Limited, which is deemed to be interested in the Shares held by Top Access Management Limited under Part XV of the SFO.

2. Strong Eagle Holdings Limited is the legal and beneficial owner of 306,483,750 shares of China Singyes Solar Technologies Holdings Co., Ltd., representing approximately 36.75% of the issued share capital in China Singyes Solar Technologies Holdings Co., Ltd. Strong Eagle Holdings Limited is deemed to be interested in the Shares to which China Singyes Solar Technologies Holdings Co., Ltd. is interested in (through its shareholding in Top Access Management Limited) under Part XV of the SFO.

3. Strong Eagle Holdings Limited is legally and beneficially owned by Mr. Liu Hongwei (a controlling shareholder, the non-executive Director and Chairman of the Company), Mr. Sun Jinli (an executive Director of the Company), Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming as to 53%, 15%, 14%, 9% and 9% respectively. Mr. Liu Hongwei is deemed to be interested in the Shares to which Strong Eagle Holdings Limited is interested in (through its indirect shareholding in Top Access Management Limited through China Singyes Solar Technologies Holdings Limited) under Part XV of the SFO.

4. AMATA Limited is legally and beneficially owned by Mr. Luo Jingxi, Mr. Hua Jianjun, Mr. Zhong Qibo and Mr. He Qiangmin as to 39%, 27%, 20% and 14% respectively. Mr. Luo Jingxi is deemed to be interested in the Shares held by AMATA Limited under Part XV of the SFO.

5. The percentage is calculated on the basis of 520,000,000 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation other than the Directors and the Chief Executives whose interests are set out in the section "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debenture of the Company and its associated corporations" below, had any interest or short position in the Shares or underlying Shares of the Company that was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, so far as the Directors are aware, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, have been notified to the Company and the Stock Exchange, are as follows:–

Long positions in the Shares of the Company

Name of Director(s)	Capacity/ Nature of Interests	Number of Shares held	Approximate percentage of shareholding *(Note 2)*
Mr. Liu Hongwei	Interest in a controlled corporation *(Note 1)*	328,757,060	63.22%

Notes:

1. Mr. Liu Hongwei is a controlling shareholder and Chairman and non-executive Director of the Company. He is deemed to be interested in the Shares to which Strong Eagle Holdings is interested in (through its indirect shareholding in Top Access Management Limited through China Singyes Solar Technologies Holdings Limited).

2. The percentage is calculated on the basis of 520,000,000 Shares in issue as at 31 December 2018.

Long positions in the shares of China Singyes Solar Technologies Holdings Limited *(Note 1)*

Name of Director(s)	Capacity/ Nature of Interests	Number of Shares held	Approximate percentage of total registered share capital *(Note 5)*
Mr. Liu Hongwei	Interest of a controlled corporation	306,483,750 *(Note 2)*	36.75%
	Beneficial interest	1,379,120 *(Note 3)*	0.17%
	Sub-total	307,862,870	36.91%
Mr. Sun Jinli	Beneficial interest	1,379,120 *(Note 4)*	0.17%

Notes:

1. China Singyes Solar Technologies Holdings Limited ("Singyes Solar") is listed in the Main Board of the Stock Exchange with stock code: 750. Singyes Solar is a holding company of the Company pursuant to the SFO.

2. 306,483,750 shares of Singyes Solar are held by Strong Eagle Holdings Ltd., whose share capital is 53% owned by Mr. Liu Hongwei (the non-executive Director and Chairman of the Company). Mr. Liu Hongwei is deemed to be interested in these shares by virtue of the SFO.

3. 1,379,120 share options of Singyes Solar are directly beneficially owned by Mr. Liu Hongwei. Among these share options, 455,082 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 January 2010 to 22 July 2019, 462,019 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 July 2010 to 22 July 2019, 462,019 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 July 2011 to 22 July 2019.

4. 1,379,120 share options of Singyes Solar are directly beneficially owned by Mr. Sun Jinli (an executive Director of the Company). Among these share options, 455,082 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 January 2010 to 22 July 2019, 462,019 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 July 2010 to 22 July 2019, 462,019 share options' exercise price is HK$3.56 per share of Singyes Solar with exercise period from 23 July 2011 to 22 July 2019.

5. The percentage is calculated on the basis of 834,073,195 shares in issue of Singyes Solar as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which was taken or deemed to have under such provisions of the SFO), or which was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debenture of the Company and its associated corporations" above, at no time since the Listing Date and up to the date of this announcement, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company and their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

China Singyes Solar Technologies Holdings Limited ("Singyes Solar"), one of the controlling shareholders (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 23 June 2017 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, Singyes Solar has undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that with effect from the Listing Date, it shall not, and shall procure each of its close associates (other than our Group) shall not, whether on its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (including but not limited to the production and sale and businesses ancillary to any of the foregoing).

During the year ended 31 December 2018 and up to the date of this announcement, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

The controlling shareholders of the Company have confirmed to the Company that during the year ended 31 December 2018 and up to the date of this announcement, Singyes Solar and its respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital Limited ("Octal Capital") to be the compliance adviser. As informed by Octal Capital, neither Octal Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement and the supplemental compliance adviser entered into between the Company and Octal Capital dated 30 August 2016 and 28 June 2017 respectively.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to 31 December 2018 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Directors recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors consider that the Company has applied the principles and complied with all the applicable code provisions set out in the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2018 and up to the date of this announcement (the "Relevant Period").

Shareholders of the Company are encouraged to make their views known to the Group if they have issues with the Company's corporate governance and to directly raise any matters of concern to the chairman of the Board ("Chairman").

The following is a summary of the work performed by the Board or Board Committees in corporate governance function during the Relevant Period:

(a) review the Company's policies and practices on corporate governance;

(b) review and monitor the training and continuous professional development of the Directors and senior management of the Group;

(c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) review and monitor the code of conduct applicable to employees and the Directors; and

(e) review the Company's compliance with the CG Code and disclosure in the corporate governance report.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all Directors and all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions adopted by the Company during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year end 31 December 2018, except that on 19 October 2018, the Company allotted and issued an aggregate of 40,000,000 new shares for the acquisition of 100% equity interest in Huabei Limited.

AUDIT COMMITTEE

The Company has established the Audit Committee on 21 July 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Among other things, the primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, internal control system and risk management system and to provide advice and recommendations to the Board on the appointment, reappointment and removal of external auditors.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Dr. Li Ling. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters with senior management and the auditors of the Company relating to the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2018. This final results announcement has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting principles and practices adopted by the Group and that adequate disclosure has been made.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2018, but represents an extract from the consolidated financial statements for the year ended 31 December 2018 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019 (both days inclusive), during which period no transfer of shares of the Company with be effected. In order to entitle to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2019.

The register of members of the Company will be closed from Thursday, 16 May 2019 to Monday, 20 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22 Hopewell Centre 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 May 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is available for viewing on the websites of the Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the Company's website at http://www.syeamt.com and the 2018 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Company and the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board of
China Singyes New Materials Holdings Limited
LIU, Hongwei
Chairman

Hong Kong, 20 March 2019

As at the date of this announcement, the non-executive director and the Chairman of the Company is Mr. Liu Hongwei; the executive directors of the Company are Mr. Sun Jinli, Mr. Zhao Feng, Mr. Zhang Chao and Mr. Tang Liwen; and the independent non-executive directors of the Company are Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Dr. Li Ling.

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.syeamt.com).